

Review of the RRB's Fiscal Year 1999 Performance Report
Report No. 01-02, February 5, 2001

This report presents the results of the Office of Inspector General's (OIG) review of the Railroad Retirement Board's (RRB) fiscal year 1999 performance report.

BACKGROUND

The RRB is an independent agency in the executive branch of the Federal government. The RRB pays benefits under the Railroad Retirement and Railroad Unemployment Insurance Acts. During fiscal year 1999, the RRB paid benefits totaling \$8 billion to about 777,000 beneficiaries.

The United States Congress passed the Government Performance and Results Act of 1993 (GPRA) with the intent of improving government service and congressional oversight through greater use of performance measures. GPRA requires Federal agencies to submit an annual performance report to the President and the Congress. The RRB issued its 1999 performance report on February 17, 2000.

The Office of Management and Budget (OMB) Circular A-11, Sections 230-233, provides additional instructions for preparing an annual performance report. The Circular provides that the annual report must compare actual performance with the projected levels of performance set out in an annual performance plan. The performance report evaluates the agency's performance achieved during the fiscal year relative to the performance plan. If performance goals have not been met, the agency must include an explanation, as well as a plan for achieving the performance goals in the future. An annual performance report must also assess the effect of past year performance on current year performance levels.

While there is no prescribed format for an annual performance report, agencies were encouraged to include, from the strategic plan, a summary of the mission statement and the general goals and objectives.

The RRB's Strategic and Annual Performance Plan Committee (Committee) develops the agency's "Strategic Plan," "Annual Performance Plan," and "Annual Performance Report." The Committee consists of representatives from each of the following RRB major units: the Office of Programs, the Office of Administration, the Bureau of Information Services, the Bureau of Fiscal Operations, and the Office of General Counsel. The Committee assists in ensuring RRB compliance with GPRA and relevant portions of OMB Circular A-11, including the preparation of an annual performance report.

Performance information can play a vital role in an agency's funding and other program decisions. As such, OMB Circular A-11 provides that an agency's annual performance plan should be directly linked to the agency's budget. The performance goals, particularly the performance target levels, are set based on the funding expected to be available to achieve the goals.

The RRB's 1999 performance report, submitted to Congress with the fiscal year 2001 budget request, included four strategic goals and 54 reportable performance indicators. The strategic goals were: (1) provide excellent customer service; (2) safeguard the agency's customers' trust funds through prudent stewardship; (3) align resources to effectively and efficiently meet the agency's mission; and, (4) expand the agency's use of technology and automation to achieve our mission.

OBJECTIVE, SCOPE AND METHODOLOGY

The objective of the review was to determine whether the RRB's fiscal year 1999 performance report complied with GPRA. The review also considered a prior OIG review and a Government Accounting Office review of the RRB's "1997-2002 Strategic Plan" dated September 29, 1997.

The success of GPRA relies on the quality of the data used to measure and report upon program performance. The RRB indicated that performance goals and indicators would be reviewed by the agency's Office of Inspector General. Accordingly, we judgmentally selected and reviewed 21 of 54 reportable performance indicators in the agency's 1999 performance report.

To accomplish the objective, the OIG:

- reviewed the GPRA (P.L. 103-62), OMB Circular A-11 (Part 2 Sections 230-233), the RRB's "Annual Performance Plan" for fiscal year 1999 and the agency's 1999 performance report;
- interviewed RRB personnel;
- reviewed and assessed the adequacy of management controls relating to the preparation of the 1999 performance report;
- determined whether the 1999 performance report contained the elements required by GPRA; and,
- assessed the accuracy of data presented in the 1999 performance report.

The review covered the RRB's preparation of the 1999 performance report, including methodologies and data sources. The OIG traced the results of selected performance indicators to source documentation, which in some instances were computer reports. The reliability of the data included in the source documents was not tested. In taking this approach, the OIG considered the RRB's efforts to update its computer systems to accurately process data containing the year 2000. We also considered the related systems testing which indicated no significant errors in RRB computer systems.

This review was performed in accordance with generally accepted government auditing standards appropriate for the objectives described above. The fieldwork was performed at the RRB headquarters office in Chicago, Illinois from March through December 2000.

RESULTS OF REVIEW

The RRB's 1999 performance report generally met the basic requirements of GPRA and the requirements of the OMB Circular A-11, Sections 230-233. In addition, the RRB has taken action to implement a prior OIG recommendation that target levels for each performance indicator be developed or explained. The RRB developed target levels for 10 of 14 performance indicators that did not have targets. The RRB also provided acceptable explanations for not setting targets for two performance indicators. Target levels for the remaining two indicators were defined as "deferred" and "none" for fiscal year 2000.

The RRB established methods to collect data for reporting on each of the performance indicators reviewed. As a result, the RRB was able to complete the 1999 performance report in a timely manner. The report reflected a comparison of the RRB's actual performance with the projected performance contained in the performance plan. In addition, the performance report provided an explanation for all non-achievement of performance goals and the agency's plans and schedules for achieving goals that were not met.

The 1999 performance report also reflected 1998 performance. The report explained that, over the last several years, the RRB restructured its operations and implemented significant automation initiatives and other improvements. Because of these accomplishments, the RRB is able to operate with reduced resources. The agency is continuing to streamline its operations with the assistance of information technology.

The 1999 performance report complied with GPRA guidelines with minor discrepancies noted in the following four areas:

- the report did not include a summary of the findings and recommendations presented in RRB program evaluation reports prepared during fiscal year 1999;
- the report presented some fiscal year 1998 data as fiscal year 1999 results;
- unemployment application processing time was not accurately measured in some cases; and,
- three performance indicators contained incomplete data.

Details of these situations and a recommendation for improvement are discussed in the following sections of the report.

PROGRAM EVALUATION RESULTS

The RRB's 1999 performance report did not include a summary of the findings and recommendations presented in program evaluation reports prepared during fiscal year 1999. The RRB's "1997-2002 Strategic Plan" describes several

program evaluations, including “Federal Managers’ Financial Integrity Act Reports” (FMFIA) and the “Annual Financial Statement Audit”, that are completed during a fiscal year.

GPRA, as well as OMB Circular A-11, provides that an annual performance report should summarize the findings of any program evaluations completed during the fiscal year.

The RRB’s 1999 performance report did not include a summary of the findings and recommendations of the program evaluations because members of the Strategic and Annual Performance Plans Committee did not submit program evaluation information for inclusion in the performance report. Executive Committee members stated that:

- program evaluation results, specifically the control environment material weakness, would not impact the objectives in the performance report,
- the performance results would have remained unchanged even if the material weakness had been corrected, and
- a significant portion of the program evaluation information is already included in the results section of the performance report.

Also, the RRB did not believe that OMB Circular A-11 specifically required the inclusion of a program evaluation summary in the annual performance report. The circular listed this requirement under other features of the performance report.

In addition to findings and recommendations presented in OIG reports on RRB programs, each financial statement audit since fiscal year 1993 has cited the agency for a material weakness. The material weakness was that the RRB’s overall control environment was not adequate to ensure that the agency’s financial statements would be free of material misstatements and prepared in accordance with applicable guidance. This weakness in internal control was the result of an organizational structure that did not provide proactive top-down leadership in addressing financial reporting issues.

The Executive Committee members stated that after careful consideration, they concluded that sufficient corrective action had been taken and the control environment was no longer a material weakness. The agency and the OIG disagreed over this issue, and this disagreement was noted in the OIG’s report on internal control issued in conjunction with the financial statement audit opinion, dated February 18, 1999. Agency management was briefed on the OIG’s disagreement prior to the issuance of the financial statement audit opinion and the agency’s 1999 performance report. The OIG concluded that this material weakness continued to exist when the agency issued its 1999 performance report dated February 17, 2000. By not including program evaluation results in its 1999 performance report, the RRB report did not present this material weakness.

The OIG believes that the RRB's 1999 performance report would have given a clearer picture of the agency's performance and its efforts for improvements if the identified material weakness had been reported. Also, without this information, the President and Congress did not have all pertinent information to judge the effectiveness of RRB programs.

Recommendation

The OIG recommends that the Strategic and Annual Plans Committee describe the agency's program evaluation activities in its annual performance reports noting the most significant results.

Management's Response

The RRB concurs with the recommendation and will take corrective action. Specifically, the agency's fiscal year 2000 performance report will include a brief discussion of the situation regarding the RRB's overall control environment and will refer to the RRB's fiscal year 2000 Federal Managers' Financial Integrity Act Report and the Inspector General's February 18, 2000 Report on Internal Control. A complete copy of management's response is included as an attachment to this report.

USE OF 1998 STATISTICS IN THE 1999 PERFORMANCE REPORT

The RRB's Program & Evaluation Section used fiscal year 1998 data to compute the fiscal year 1999 payment accuracy rates for unemployment and sickness claims. This data was included in the 1999 performance report as fiscal year 1999 results for performance indicators I-A.2a¹ and I-A.2b.²

GPRA provides that each program performance report shall set forth the performance indicators established in an agency's performance plan along with the actual program performance achieved compared with the performance goals expressed in the plan for the fiscal year. The OIG believes the report would be more accurate if the RRB identified statistics for periods other than the required period.

During fiscal year 1999, the RRB completed quality control reviews for two six-month periods in calendar year 1998. When computing performance statistics for fiscal year 1999, the RRB used this calendar year 1998 data instead of fiscal year 1999 data.

¹ Performance indicator I-A.2a: Achieve a railroad unemployment insurance benefit payment accuracy rate of at least 99%. The RRB planned to achieve a payment accuracy rate of 99.90% for fiscal year 1999.

² Performance indicator I-A.2b: Achieve a railroad sickness insurance benefit payment accuracy rate of at least 99%. The RRB planned to achieve a payment accuracy rate of 99.80% for fiscal year 1999.

The use of calendar year 1998 data resulted in the RRB reporting that it did not meet its performance goals in this area when they may well have been met. Performance data was not available for the first quarter of fiscal year 1999. However, data for the last three quarters of fiscal year 1999 exceeded performance goals indicating that the RRB might have met the annual performance goals.

The RRB has reengineered and accelerated the review process so the agency will be able to report the accuracy of claims processed within a given year. This procedure should allow the RRB to reflect the appropriate data in subsequent performance reports.

TIMELINESS OF PROCESSING UNEMPLOYMENT APPLICATIONS

The RRB's procedures for measuring performance in processing unemployment applications and issuing claim forms and/or notices of denial are not adequate.

Prior to July 2000, procedures provided that processing time was defined as the number of days required to enter an application into a computer system from the time it was received and date stamped in a district office.

RRB personnel made an assumption that claim forms and/or denial notices were released the same day that the application was entered into a computer system. However, in some instances, claim forms and/or denial notices were not sent on that day because the field on the entry screen was coded "N" (do not send a claim form).

The RRB conducted a study to measure the impact of applications coded "N" on the performance results. Preliminary work on the RRB's study disclosed that only five percent of the applications were coded "N." As a result, the RRB believes the effect on the performance indicator would be minimal. Results from the study will be provided to the OIG upon completion.

During July 2000, the RRB updated its procedures for measuring processing time for sending claim forms or decisions when claimants file for unemployment benefits. The updated procedures should ensure that RRB performance data accurately reflects the agency's performance in this area.

INCOMPLETE PERFORMANCE DATA

The RRB did not include accuracy data on supplemental annuities in calculating the agency's payment accuracy rates. Instructions for computing payment accuracy provides that the payment accuracy rate will reflect the percentage of dollars paid correctly as a result of adjudication actions performed during the fiscal year being studied. This statement does not exclude supplemental annuity payment errors. However, agency practice was to exclude supplemental annuity payment errors in the calculation of payment accuracy rates. The agency used Tier I, Tier 2 and Vested Dual Benefit data in computing payment accuracy rates.

During a prior GPRA audit, the auditors recomputed the payment accuracy rates both including and excluding data on the supplemental annuity errors. At that time, including supplemental annuity errors had a negligible impact on the accuracy rate (99.98% excluding supplemental annuity errors, and 99.97% including supplemental annuity errors).

Management stated that supplemental annuity errors will be included as part of the payment accuracy rate when plans are finalized for the fiscal year 2001 study.

Another instance of incomplete performance data is that the RRB did not include a count of manual tax statements in reporting the results for performance indicator I-C.3.³ The performance indicator calls for corrected tax statements for the measurement of the combined balance of cases with unprocessed record corrections and cases requiring review.

Staff in the Office of Programs had completed a monthly production report and included the record corrections as well as manual tax statements in the report. However, the individual who provided the production statistic for the performance report was not aware that the manual tax statements should be included in the performance results.

The performance indicator was understated by 17 manual tax statements. This error was not significant for the 1999 performance report since the correct balance of 170 items was well below the end-of-year normal working level of 1,200 items.

RRB management discussed this situation with appropriate staff and changed procedures so that the RRB will include manual tax statements in subsequent performance reports.

³ Indicator I-C.3: Maintain the combined balance of unprocessed record corrections and cases requiring review for corrected tax statements below the end-of-year normal working level (1,200 items).